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EXCISE B

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ACTION: Amembassy TRIPOLI PRIORITY

INFO: Amembassy LONDON

EXDIS

London for Akins

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 6/19/81
PORTIONS DENIED AS INDICATED

SUBJECT: Oil Situation: Tactics in Libya

REF: Tripoli 189, Tunis 443 Pet 6 Libya

1. Department has given careful consideration to your proposals contained reftels in context our overall efforts during current oil negotiations. We are in agreement it is essential that companies discuss range of Libyan demands, and in any case it is probably inevitable they will do so. At the same time we expect companies will resist as long as possible giving in to those Libyan demands which appear incompatible with an eventual settlement in Persian Gulf.

2. Concerning the particular negotiating points you raise (ref a), [redacted]

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	APPROVED BY:
E/ORF/FSE:WClark	1/28/71	20753	D - Nathaniel Samuels

CLEARANCES:
E/ORF - Mr. Katz
AF/N - Mr. Blake
U - Mr. Veliotes
S/S - Mr. Carson

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ACTION: Amembassy TRIPOLI -2-

[redacted] (S)

Many Gulf countries also receive petroleum products for internal consumption from the companies at or near cost. However, we believe companies will vigorously resist giving the Libyan crude or products at cost for marketing outside Libya, which they have reason to assume would compete directly or indirectly in their own established markets. Existing marketing arrangements by Gulf countries for oil produced by companies is only in limited quantities for barter with specified Eastern European countries. [redacted] (S) We also believe companies will strongly resist any formula requiring reinvestments both as undesirable and precedent setting.

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ACTION: Amembassy TRIPOLI -3-

3. [redacted] B1

[redacted] Industry proposals to be presented January 28 were worked out after considerable effort to be responsive to demands, continue negotiations and avoid whipsaw price increases. We believe it vital that negotiations continue and that companies be given chance to negotiate equitable settlement [redacted] B1

[redacted] companies now entering phase of B1
direct negotiations with governments of oil exporting countries. We believe time has come for us to step back and let negotiations take their course [redacted] B1
B5

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ACTION: Amembassy TRIPOLI -4-

[redacted]

[redacted] Please keep Dept advised your thoughts as negotiations unfold.

END

ROGERS

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